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S E C R E T SECTION 01 OF 04 KUWAIT 003597

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SUBJECT: ASSESSMENT OF TERRORIST/INSURGENT FINANCE
OPERATING ENVIRONMENTS IN COUNTRIES NEIGHBORING IRAQ -
KUWAIT

REF: A. SECSTATE 132693

- [1](#)B. STATE 136710
- [1](#)C. KUWAIT 3450
- [1](#)D. KUWAIT 3322
- [1](#)E. KUWAIT 1687
- [1](#)F. KUWAIT 3503
- [1](#)G. KUWAIT 3563
- [1](#)H. STATE 146295

Classified By: CDA Matthew Tueller for reasons 1.4 (b) and (d).

[1](#)1. (S/NF) Note: Per ref A, this assessment of the
terrorist/insurgent financing environment in Kuwait is keyed
to four principal areas: background information, legal
regime, implementation and communication. For additional
reporting, please visit Embassy Kuwait's classified website.
End note.

Background Information

[1](#)2. (S/NF) Since the January 2005 discovery of a terrorist
cell in Kuwait, the GOK has renewed efforts to combat
terrorism and is currently drafting new legislation to
criminalize terrorist financing. (Note: In the interim, the
GOK is using anti-money laundering statutes. End note.)
There has been marked improvement in GOK's regulation of the
domestic activities of Kuwaiti charities, yet we remain
concerned about the activities of overseas branches of some
Kuwaiti charities such as the Revival of Islamic Heritage
Society (RIHS). Noting a perceived absence of "hard
evidence", GOK officials continue to express frustration (see
para 11 and refs C-E) with perceived USG efforts to target
Islamic charities.

[1](#)3. (S/NF) The flow of foreign fighters and materials from
Kuwait to Iraq is limited. In March, the GOK shut down a
terrorist fundraising network run by Syrian nationals that

was funneling money into Iraq, and several members of the network were subsequently deported. Known Kuwaiti supporters of terrorist/insurgent operations in Iraq include Muhammad Al-Dusari (aka Al-Hajj). Although incarcerated, Al-Dusari continued to provide financial and material support, including recruits, as recently as early summer 2006. Other known Kuwaiti financiers are: Hamid Al-Ali, Jaber Al-Jalamah, and Mubarak Al-Bathali (ref B). In March, UK authorities also confirmed that known travel facilitator Tayyab Mahmood Bottar (DOB:09OCT192; aka Taiyab Mahmood Buttar), a dual Pakistani-Japanese national, was in Kuwait. However, post is unable to confirm Bottar's direct support for terror/insurgent operations in Iraq. (For additional details on individuals and groups of concern see: TD-314/02085-06, TD-341/02799-06, TD-314/03223-06, TD-314/05561-06, TD-314/06467-06, TD-314/19614-06, TD-314/30458-06, TD-314/35672-06, TD-314/42621-06, TD-314/43176-06, TDX-315/49617-06, TD-314/61157-06, TDX-315/40531-06, TD-315/40531-06, TD-314/14052-06, TDX-315/17729-06, TDX-315/49377-06, TDX-315/69843-05, TD-314/61759-06, TDX-315/51410-06, TDX-315/35594-06, TD-314/15800-06, TD-314/12016-06, TDX-315/78496-05, TDX-315/10951-06, TDX-315/19746-06, TDX-315/21409-06)

¶4. (S/NF) The GOK is also concerned about the use of cash couriers to provide financial support to terrorists/insurgents in Iraq and beyond and is preparing more stringent entry/exit cash declaration controls (see paras 9 and 16).

¶5. (C) There are no high-profile former members of Saddam Hussein's regime in Kuwait, and post has no evidence of Iraqi-origin funds being used to finance terror/insurgent

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activity in country.

Legal Regime

Introduction

¶6. (SBU) The GOK's combating terrorist financing and anti-money laundering (CTF/AML) regime is defined by the country's 2002 law criminalizing money laundering, commonly referred to as Law No. 35. The law does not criminalize terrorist financing, focusing primarily on AML violations.

Legal Regime: National Committee

¶7. (SBU) The GOK's National Committee to Combat Money Laundering and Terrorism Financing (NC) is responsible for administering the GOK's CTF/AML regime and, more importantly, revising Law No. 35 to meet international standards. Chaired by the Central Bank Governor, the NC is comprised of representatives from the Ministries of Interior, Foreign Affairs, Commerce and Industry, Finance, and Labor and Social Affairs; the Public Prosecutor's Office, the Kuwait Stock Exchange, Customs, and the Union of Kuwaiti Banks. The NC has also established a sub-group, headed by the Public Prosecutor's Office, to redraft Law No. 35 to criminalize TF and strengthen the GOK's overall CTF/AML regime.

Legal Regime: Financial Sector

¶8. (SBU) Kuwait's banking sector is regulated and supervised by the country's effective Central Bank (CBK). Kuwaiti banks are well-attuned to U.S. and international CTF/AML measures, including designation lists administered by the UN and the U.S. Department of Treasury's Office of Foreign Assets Control (OFAC).

¶9. (SBU) Hawalas are illegal in Kuwait; however, informal money exchange networks continue to flourish. The Ministry of Commerce and Industry (MOCI) is responsible for overseeing the country's exchange houses, which are prohibited from transferring funds abroad. There is very limited enforcement of Kuwait's cash entry declaration policy (no forms exist as of August 2006), and the country lacks a cash exit declaration policy although MOCI says a new system is in the works (see para 16).

Legal Regime: Charities

¶10. (SBU) The GOK has made notable progress in improving its charity oversight efforts through the establishment of an oversight office in the Ministry of Social Affairs and Labor (MOSAL), headed by Naser Al-Ammar. To regulate fundraising, all charities are required to obtain permission from MOSAL before transferring money abroad. MOSAL provides the Central Bank of Kuwait with a list of all licensed charities and the names of individuals authorized to carry out transfers. This list is in turn provided to all Kuwaiti banks. MOSAL has also banned cash collection boxes and cash kiosks, instead encouraging the use of MOSAL-issued vouchers or electronic transfers (see para 13).

¶11. (S/NF) At present, there are nine Kuwaiti charities authorized to transfer funds and operate abroad. Most notable among them is the Revival of the Islamic Heritage Society (RIHS), referred to locally as al-Turath. Despite

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sustained USG engagement, including a high-level US Treasury visit to Kuwait and the exchange of non-papers (ref B-G) detailing RIHS's activities, the GOK continues to maintain that it lacks sufficient evidence to designate RIHS, let alone defend the designation against Islamists in the Kuwaiti Parliament. (Note: RIHS Chairman Tariq Al-Essa is well-respected and well-connected. End note.) Post will shortly deliver a new non-paper (ref H) providing further detail of RIHS support for terrorist/insurgent operations. This may counter GOK concerns about "flimsy and unsubstantiated" allegations (ref G). Post will report substantive developments septel.

Legal Regime: International Treaties

¶12. (SBU) Kuwait is a member of the Gulf Cooperation Council (GCC), which is itself a member of the Financial Action Task Force (FATF). In November 2004, Kuwait signed the memorandum of understanding governing the establishment of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Kuwait has played an active role in the MENAFATF through its participation in the drafting of regulations and guidelines pertaining to charities oversight and cash couriers. In December 2005, the CBK hosted a training seminar for those who will be conducting mutual evaluations of MENAFATF members. The Kuwait General Administration of Customs also hosted a separate conference in December 2005 on combating cash smuggling. Kuwait is a party to the 1988 UN Drug Convention. It has signed, but not yet ratified, the UN Convention against Transnational Organized Crime. It has not signed the UN International Convention for the Suppression of the Financing of Terrorism.

Proposed Legislation

¶13. (SBU) The GOK is aware of its CTF/AML limitations and is currently drafting a revision to Law No. 35 designed to criminalize the financing of terrorism, strengthen oversight of Kuwaiti charities, empower the Financial Investigative Unit (FIU), and improve information sharing. The GOK

forwarded the draft law to the IMF and World Bank earlier this year and is currently reviewing their comments.

Implementation

¶14. (SBU) The GOK is making progress in implementing its CTF/AML initiatives. A MOSAL-led committee with representatives from key charities, the Ministry of Foreign Affairs, and the Ministry of Awqaf and Islamic Affairs is currently fine tuning implementation of a four-part technological upgrade (ref F) that will facilitate oversight, both for GOK and the charities themselves, by creating an electronic record of all transactions. The key to this upgrade is the electronic collection of Zakat and other donations using electronic kiosks, text messaging, cyber collection points, and hand-held collection machines.

¶15. (SBU) However, the GOK should significantly accelerate its ongoing efforts to criminalize terrorist financing. Improved cooperation and coordination between Kuwait's Financial Intelligence Unit (FIU) and other concerned parties, including a clear understanding of roles and responsibilities, could yield improvements in investigations and the exchange of information. Securing FIU membership in the Egmont Group and becoming a signatory to the UN Convention against Transnational Organized Crime and the UN International Convention for the Suppression of the Financing

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of Terrorism would further enhance the credibility of GOK efforts.

¶16. (SBU) In-bound travelers to Kuwait are required by law to declare currency, but this policy is only enforced at the Abdali Crossing on the Kuwait-Iraq border. There is currently no outbound requirement although GOK officials are preparing more stringent entry/exit cash declaration controls, including a new declaration form. It is still unclear if this form will be mandatory at all ports of entry and if the reporting requirement will be extended to precious metals.

¶17. (SBU) The GOK recognizes its limitations and welcomes technical assistance on CTF/AML issues. In April 2005, the Department of Justice's Office of Prosecutorial Development and Training (OPDAT) proposed an intensive training module for Kuwaiti officials from the judicial sector. DHS has organized CTF/AML conferences and training workshops in the past and an IRS financial investigative techniques course is scheduled for November 2006.

Communication

¶18. (C) The GOK takes an active interest in the success of the MENAFATF. Internally, the GOK has arrested extremist foreign imams, strengthened oversight of charity and philanthropic organizations, and launched a moderation campaign including conferences on religious tolerance. GOK security forces monitor suspected terrorist/insurgent supporters, although enforcement is uneven and prosecution rare.

¶19. (C) The GOK is concerned about ongoing violence in Iraq and the dire consequences that a failed state in Iraq could have on Kuwait. Kuwait continues to support Operation Iraqi Freedom and coalition efforts to promote democracy and stability in Iraq. To date, the GOK has offered over \$575 million in grants and soft loans to Iraq, agreed to meet the Paris Club commitment to reduce 80% of Iraq's pre-Gulf War debt, and expressed support for the Iraq Compact.

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